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## CITY COUNCIL REPORT

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City Manager

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SUBJECT: **EARLY COST REDUCTION THROUGH VACANT POSITION ELIMINATION**

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This report recommends City Council approval of an early expenditure reduction that will save about \$12.3 million annually, \$11.3 million of which is General Fund savings. As part of efforts to address the 2015-16 General Fund deficit projected in the January 2014 five-year forecast, the City Council asked staff to conduct a thorough review of vacant civilian positions to reduce costs while minimizing the impact to services. No sworn police or fire positions are included. The recommended action includes the elimination of 181 vacant civilian positions, 162 of which are in the General Fund. The positions were identified as part of the Comprehensive Organizational Review and Evaluation (CORE) process conducted over the summer and fall.

### **THE ISSUE**

In January 2014, the five-year forecast presented by Budget and Research staff projected a deficit of between (\$14 million) and (\$54 million) in the General Fund for FY 2015-16. The early projection has been essential to the City taking steps that address long-term fiscal challenges and reduce the deficit risk in advance. For example, the City and labor units agreed to employee concessions in both the first and second year of two-year labor contracts that began July 1, 2014. In addition to being part of the solutions that balanced the FY 2014-15 budget, further concessions in the second year will save an additional \$9 million to help address a FY 2015-16 General Fund deficit. The Council also approved staff recommended additional revenue of about 1% of the General Fund.

Additionally, the City Manager initiated the CORE process to conduct an in-depth analysis of City departments' operations and identify budget reductions that minimize the impact to public services. The CORE process challenges the current business model in an effort to save time, save money, and to create efficiencies within the organization. Departments identified a total of 181 vacancies for elimination, 162 of which are in the General Fund, resulting in the savings shown below:

<b>Fiscal Year 2014-15 Savings</b>			<b>Fiscal Year 2015-16 Savings (and annually ongoing)</b>		
<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>	<b>General Fund</b>	<b>Non-General Fund</b>	<b>Total</b>
\$8.4 M	\$0.7 M	\$9.1 M	\$11.3 M	\$1.0 M	\$12.3 M

## OTHER INFORMATION

**Vacancy Review Process-** In conjunction with the City Manager's Office and Budget and Research, departments completed a review of existing vacant civilian positions to strategically identify further cost savings while minimizing the impact on services to the community. Staff examined departmental vacancy rates over the last several years to compare with current vacancy levels, as well as budgeted vacancy savings. Staff also analyzed specific departmental factors such as department size, number of facilities managed, vacancies held to offset costs of temporary agency staffing and/or contractors, and other factors affecting vacancy levels and associated savings. Departments evaluated each vacant civilian position within the broader contexts and considerations to identify those vacancies that would result in least relative effect on services if eliminated. It is preferable to eliminate vacant positions rather than filled positions in order to minimize disruption to our services.

**Service Levels Corresponding with Elimination of Vacant Positions-** In the short run, services to the public will not be noticeably different from actual, recently-provided service levels, since departments have operated at reduced overall position filled rates for some time. No City services will be halted, nor will any City facilities be closed due to the elimination of these vacancies. However in the long-term, the changes will likely have some impact on turnaround times, maintenance cycles, operational coverage, operational flexibility, and capacity to respond to citizen and Council requests in several areas. Although it will take time to truly determine the full extent, these vacancy eliminations reduce the organization's ability to respond to needs above currently-provided base service level performance. If City services levels are to be increased, new positions with new funding would need to be identified and authorized.

The savings and number of vacant civilian positions proposed for elimination in each department are shown in the attached list.

**CORE Next Steps-** As discussed at the October 21 Council Policy Session and November 18 Finance, Efficiency, Economy, and Sustainability Subcommittee meeting, the results of CORE fall into three major areas:

- management changes that can be implemented in the short-term;
- policy and organizational changes that require City Council action, which will be brought to the City Council primarily through Subcommittees, along with the Innovation and Efficiency Task Force; and
- ideas that staff will work to develop over the next year with labor, management and the community where appropriate. They will then funnel to the appropriate Subcommittee and to the Council for final approval.

An internal Implementation Team has been formed and is meeting to immediately begin work on the areas identified by the departments.

**RECOMMENDATION**

As an early budget action, staff recommends City Council approval of the elimination of 181 civilian vacancies, resulting in total savings of about \$12.3 million annually, of which \$11.3 million is in the General Fund. These affect vacancies only. In the current fiscal year, the City will realize savings of about \$9.1 million, of which \$8.4 million is in the General Fund, which will help address the projected FY 2015-16 budget deficit.

Attachment

**Attachment**

**Proposed Civilian Vacancies Reduction**  
**Savings by Department**

<b><u>General Fund Vacancy Reductions</u></b>		<b><i>Savings</i></b>	
<b>Department</b>	<b>Positions</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
City Clerk	(1.0)	\$ (40,512)	\$ (53,975)
Community and Economic Development	(2.0)	\$ (105,424)	\$ (141,480)
Finance <sup>1</sup>	(5.0)	\$ (271,199)	\$ (389,384)
Fire	(3.0)	\$ (127,228)	\$ (170,834)
Government Relations	(1.0)	\$ (65,905)	\$ (102,796)
Human Services	(5.0)	\$ (253,415)	\$ (259,669)
Information Technology Services	(9.0)	\$ (666,387)	\$ (888,692)
Law	(10.0)	\$ (649,477)	\$ (866,455)
Municipal Court	(10.0)	\$ (427,597)	\$ (572,722)
Neighborhood Services	(4.0)	\$ (198,177)	\$ (266,015)
Office of Environmental Programs	(1.0)	\$ (67,867)	\$ (90,218)
Parks and Recreation	(25.0)	\$ (1,152,613)	\$ (1,543,281)
Planning and Development	(2.0)	\$ (167,659)	\$ (222,656)
Police	(31.0)	\$ (1,375,073)	\$ (1,863,601)
Public Works	(22.0)	\$ (1,109,493)	\$ (1,617,435)
Street Transportation	(31.0)	\$ (1,681,335)	\$ (2,246,401)
<b>General Fund Total</b>	<b>(162.0)</b>	<b>\$ (8,359,361)</b>	<b>\$ (11,295,614)</b>
<b><u>Non-General Fund Vacancy Reductions</u></b>			
<b><u>Non-General Fund Vacancy Reductions</u></b>		<b><i>Savings</i></b>	
<b>Department</b>	<b>Positions</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Human Services	(2.0)	\$ (113,348)	\$ (150,771)
Phoenix Convention Center	(4.0)	\$ (160,724)	\$ (242,456)
Police <sup>2</sup>	(4.0)	\$ -	\$ -
Public Works- Solid Waste	(9.0)	\$ (426,341)	\$ (557,544)
<b>Non General Fund Total</b>	<b>(19.0)</b>	<b>\$ (700,413)</b>	<b>\$ (950,771)</b>
<b>GRAND TOTAL SAVINGS</b>		<b>\$ (9,059,774)</b>	<b>\$ (12,246,385)</b>
<sup>1</sup> A small portion of the savings amount for Finance includes the net reduction of costs associated with the reallocation of some vacant positions to different job classifications.			
<sup>2</sup> These non-GF Police Department vacant civilian positions are already unfunded, therefore the elimination of these positions does not result in additional budget expenditure reduction.			